

Message Text

CONFIDENTIAL

PAGE 01 LONDON 09651 01 OF 02 191509Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 NSCE-00
SSO-00 ICAE-00 INRE-00 STRE-00 AF-10 ARA-10 EA-10
NEA-11 IO-13 /156 W
-----126010 191543Z /45

O 191459Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 7278

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 09651

DEPT PASS ELECTRONICALLY AGRICULTURE FOR HATHAWAY AND
STR FOR WOLFF

E.O. 11652: GDS
TAGS: EAGR, ETRD, OCON
SUBJECT: GRAIN NEGOTIATIONS: SUPPLY ASSURANCE FOR JAPAN

REF: LONDON 9610

1. ON JUNE 16, JAPANESE DEL UKAWA REQUESTED POSITION ON
OBTAINING A PROVISION ON SUPPLY ASSURANCE (PARA 3
REFTEL) AND ASKED EXPORTER COUNTRIES FOR RESPONSE THAT
HE COULD TAKE WITH HIM TO WASHINGTON OVER THE WEEKEND.
LATE ON FRIDAY THE FOUR EXPORTER DELS (U.S., CANADA,
ARGENTINA, AUSTRALIA) GAVE HIM THE FOLLOWING TEXT FOR
POSSIBLE SUPPLY ASSURANCE PROVISION IN WHEAT AGREEMENT:

2. BEGIN TEXT.

A. AT THE THIRD RISING PRICE POINT, EXPORTING
MEMBERS UNDERTAKE, THROUGH CONSULTATIONS ON JOINTLY
AGREED PROGRAMS, TO MAXIMIZE THE AVAILABILITY OF WHEAT
TO THE INTERNATIONAL MARKET WITH THE AIM OF MEETING THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 09651 01 OF 02 191509Z

TRADITIONAL COMMERCIAL REQUIREMENTS OF MEMBERS.

B. WITHIN THE FRAMEWORK OF NATIONAL POLICIES AND
TAKING INTO ACCOUNT TRADITIONAL TRADE ARRANGEMENTS, EX-
PORTING MEMBERS SHALL REFRAIN FROM MEASURES WHICH ARE
INTENDED TO RESTRICT THE EXPORT OF AVAILABLE SUPPLIES TO
MEMBERS. SUCH MEASURES SHALL INCLUDE EXPORT TAXES,
QUANTITATIVE EXPORT CONTROLS, AND DIFFERENTIAL PRICING

BETWEEN DOMESTIC AND EXPORT MARKETS WHEN SUCH MEASURES ARE USED TO RESTRICT EXPORTS. END TEXT.

3. IN DEVELOPING THIS TEXT, THESE CONSIDERATIONS WERE IMPORTANT:

A. THE ORIGINAL U.S. LANGUAGE ON REFRAINING FROM EXPORT CONTROLS "EXCEPT IN CASES OF NATIONAL EMERGENCIES" WAS CONSIDERED TOO NARROW BY OTHER EXPORTERS AND THEY INSISTED ON THE PHRASE "WITHIN THE FRAMEWORK OF NATIONAL POLICIES", WHICH IMPLIES THAT EACH MEMBER WOULD STILL BE BOUND BY ITS DOMESTIC LEGISLATION ON USE OF EXPORT CONTROLS TO PROTECT DOMESTIC SUPPLIES. CANADA (MINER) SAID THAT THEY COULD PERHAPS BE MORE PRECISE, IF NECESSARY, AFTER EVALUATION OF THEIR CURRENT LAW.

B. EXPORTERS AGREED TO AVOID LANGUAGE WHICH WOULD EXPLICITLY SUGGEST PRIORITY FOR MEMBERS OVER NONMEMBERS. (HOWEVER, OTHER EXPORTERS HAVE ALREADY AGREED THAT RESERVE STOCKS WOULD BE RELEASED FOR EXCLUSIVE USE OF MEMBERS, AND U.S. DEL COULD ACCEPT THIS IF OVERALL SUPPLY ASSURANCE PROVISION IS ACCEPTABLE.)

C. THE PHRASE "WITH THE AIM OF MEETING THE TRADITIONAL COMMERCIAL REQUIREMENTS OF IMPORTERS" HAD BEEN SUGGESTED BY UKAWA.

D. THE PHRASE "TAKING INTO ACCOUNT TRADITIONAL TRADE ARRANGEMENTS" WOULD BE INTERPRETED BY THE U.S. TO REFER TO THE CONTINUATION OF THE U.S.-USSR BILATERAL
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 09651 01 OF 02 191509Z

AGREEMENT.

E. THE PHRASE "DIFFERENTIAL PRICING BETWEEN DOMESTIC AND EXPORT MARKETS WHEN SUCH MEASURES ARE USED TO RESTRICT EXPORTS" IS INTENDED TO REFER TO CANADA AND AUSTRALIA, WHOSE BOARDS CAN RESTRICT EXPORTS WITHOUT EXPLICIT EXPORT TAXES OR GOVERNMENT-IMPOSED QUANTITATIVE CONTROLS. CANADA AND AUSTRALIA ACCEPTED THIS LANGUAGE AS NOT INTERFERING WITH THEIR "HOME PRICE" FOR WHEAT TO DOMESTIC MILLS.

F. THE PHRASE "THROUGH CONSULTATIONS ON JOINTLY AGREED PROGRAMS" WOULD IMPLY BOTH CONSULTATIONS AMONG EXPORTERS AND CONSULTATIONS BETWEEN AN EXPORTER AND AN IMPORTER. CANADA SUGGESTED TO UKAWA, FOR EXAMPLE, THAT IN A SITUATION OF SHORT WORLD SUPPLY JAPAN MIGHT CONSULT ON POSSIBLE CUT-BACKS IN ITS TRADITIONAL LEVEL OF IMPORTS.

4. UKAWA GAVE FOLLOWING REACTION TO TEXT:

A. EXPORTERS SHOULD AGREE TO RESTRICT SALES TO NONMEMBERS. IF THIS COULD BE DONE, HE SAID THE PROVISION ON SUPPLY ASSURANCES WOULD PROBABLY BE ACCEPTABLE. HE SAID MEMBERS MUST BE ASSURED OF DIFFERENTIATED TREAT-

MENT.

B. THE PHRASE "WITHIN THE FRAMEWORK OF NATIONAL

NOTE BY OC/T: NOT PASSED ELECTRONICALLY AGRICULTURE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 09651 02 OF 02 191512Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AGR-05 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-07
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 NSCE-00
SSO-00 ICAE-00 INRE-00 STRE-00 AF-10 ARA-10 EA-10
NEA-11 IO-13 /156 W
-----126036 191551Z /45

O 191459Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 7279

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 09651

POLICIES" SOUNDS LIKE A GENERAL ESCAPE CLAUSE AND MUST
BE CLARIFIED. CANADA SAID THAT PHRASE WAS INTENDED TO
PROTECT THEM FROM LEGAL CONSTRAINTS AND ASSURE EXCEP-
TIONS FOR DOMESTIC SHORTAGES.

C. CONVENTION SHOULD INCLUDE A SEPARATE ARTICLE
ON GENERAL SUPPLY ASSURANCES AND ALSO SPECIFIC LANGUAGE
ON SUPPLY ASSURANCES AT THE THIRD RISING PRICE POINT.

D. "TAKING INTO ACCOUNT TRADITIONAL TRADE
ARRANGEMENTS" MIGHT IMPLY THAT EXPORTERS WOULD FIRST
SATISFY DEMANDS ON NONMEMBERS SUCH AS CHINA AND EASTERN
EUROPE. CANADA SAID THAT THEY WOULD NOT INTERPRET THE
PHRASE IN THAT WAY BUT WOULD TAKE STEPS TO ASSURE THAT
THEY COULD MEET COMMITMENTS TO NONMEMBERS WITHOUT
JEOPARDIZING THE SUPPLIES OF MEMBERS. SOME ADAPTATION
OF THE SUPPLY ASSURANCE LANGUAGE FROM THE 1967 AGREEMENT
WOULD MAKE AGREEMENT MORE ACCEPTABLE TO JAPANESE DIET.

5. COMMENT: JAPAN, EC AND DEVELOPING COUNTRIES WILL
PRESS VERY HARD FOR STRONGER COMMITMENTS ON SUPPLY AS-

SURANCES. THE DEVELOPING COUNTRIES WILL INSIST ON
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 09651 02 OF 02 191512Z

"PRIORITY" FOR THEIR IMPORT REQUIREMENTS, AND WE ARE
PREPARED TO ACCEPT LANGUAGE ON "PRIORITY CONSIDERATION".

JAPAN AND EC WILL LIKELY SEEK FOLLOWING IMPROVEMENTS:

- A. GIVING PRIORITY TO MEMBERS OVER NONMEMBERS.
- B. TIGHTENING THE "ESCAPE CLAUSE" ON THE COMMIT-
MENT TO REFRAIN FROM EXPORT CONTROLS.
- C. INCLUDING IN THE CONVENTION A CALCULATION OF
THE "TRADITIONAL IMPORT REQUIREMENTS", I.E., THE DATUM
QUANTITIES, FOR EACH IMPORTER AND ASSURING BEST EFFORTS
TO FUFILL THESE SPECIFIC REQUIREMENTS. INCLUDING A
SPECIFIC NUMBER IN THE CONVENTION WOULD LIKELY BE OF
SIGNIFICANT VALUE TO JAPAN. OR
- D. ASSURING THAT NO RESTRICTIONS ON EXPORTS TO
MEMBERS WOULD BE USED UNDER ANY CIRCUMSTANCES UNTIL AT
LEAST THE TRADITIONAL IMPORT REQUIREMENTS, I.E., DATUM
QUANTITIES AS DEFINED IN THE CONVENTION, HAD BEEN MET.

6. COMMENT: SUCH CONCESSIONS TO THE IMPORTERS MUST BE
BALANCED BY THEIR CONTRIBUTIONS TO THE CONVENTION. ANY
QUANTIFICATION OF IMPORT REQUIREMENT WOULD BE A MAJOR
GAIN FOR THEM. THUS FAR, THEY HAVE ONLY AGREED IN
PRINCIPLE TO HOLDING RESERVE STOCKS. THEREFORE, UNTIL
WE CAN BE ASSURED THAT IMPORTERS WILL ACCEPT SIGNIFICANT
RESERVE STOCK OBLIGATIONS AND ACCEPTABLE PRICE TRIGGER
LEVELS, WE SHOULD WITHHOLD STRONGER COMMITMENTS ON SUPPLY
ASSURANCES. HOWEVER, JAPAN INSISTS THAT THESE PROVISIONS
OF THE WHEAT TRADE CONVENTION MUST BE SETTLED BY JULY
15TH. TO RESOLVE THIS ISSUE, WE SHOULD PRESS JAPAN AND
OTHERS TO ACCEPT AT THIS STAGE LANGUAGE ON SUPPLY AS-
SURANCES SIMILAR TO THAT WHICH WE HAVE ALREADY PROPOSED
AND WHICH THE U.S. COULD ACCEPT PRIOR TO FINAL COMMIT-
MENTS ON RESERVE STOCK SHARES AND PRICE TRIGGER LEVELS.
WE SHOULD ALSO SAY THAT STRONGER COMMITMENTS WOULD BE
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 09651 02 OF 02 191512Z

POSSIBLE IF THE RESERVE STOCK COMMITMENTS AND PRICE
TRIGGER LEVELS NEGOTIATED AT THE FINAL CONFERENCE IN
SPETEMBER ARE SATISFACTORY.

7. FOLLOWING WORK PAPER TABLED BY SECRETARIAT (WITHOUT
ATTRIBUTION) MONDAY A.M. JUNE 19:
GENERAL PURCHASES AND SUPPLY COMMITMENT.

- A. EACH MEMBER IMPORTING WHEAT UNDERTAKES THAT THE

MAXIMUM POSSIBLE SHARE OF ITS TOTAL COMMERCIAL PURCHASES OF WHEAT IN ANY CROP YEAR SHALL BE PURCHASED FROM MEMBERS. THIS SHARE SHALL NOT BE LESS THAN THE PERCENTAGE SPECIFIED FOR THAT MEMBER IN ANNEX () TO THIS CONVENTION.

B. EXPORTING MEMBERS UNDERTAKE IN ASSOCIATION WITH ONE ANOTHER, IN ANY CROP YEAR, TO TAKE ALL NECESSARY MEASURES TO MAKE THEIR WHEAT AVAILABLE TO IMPORTING MEMBERS, IN SUFFICIENT QUANTITIES TO MEET ON A REGULAR AND CONTINUOUS BASIS THE COMMERCIAL AND NON-COMMERICAL REQUIREMENTS OF THOSE MEMBERS.

C. UNDER EXTRAORDINARY CIRCUMSTANCES, A MEMBER COUNTRY MAY BE GRANTED BY THE COUNCIL PARTIAL EXEMPTION FROM THE COMMITMENT CONTAINED IN PARAGRAPH 2 OF THIS ARTICLE UPON SUBMISSION OF SATISFACTORY EVIDENCE TO THE COUNCIL.

BREWSTER

NOTE BY OC/T: NOT PASSED ELECTRONICALLY TO AGRICULTURE.

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GRAINS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON09651
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780255-0327
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780645/aaaabmna.tel
Line Count: 244
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4efa4086-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 LONDON 9610
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2300733
Secure: OPEN
Status: NATIVE
Subject: GRAIN NEGOTIATIONS: SUPPLY ASSURANCE FOR JAPAN
TAGS: EAGR, ETRD, OCON, JA, UK
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/4efa4086-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014